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Bowaters Newfoundland Limited

ANNUAL REPORT AND ACCOUNTS FOR

1968

Bowaters Newfoundland Limited

BOARD OF DIRECTORS

Chairman

A. E. Balloch O.B.E.

President and General Manager

B. R. Pryde

F. G. Huck *Vice-President and Controller*

A. R. Stanford *Vice-President, Production*

H. K. Joyce

Sam Mann

Treasurer

F. W. Robbins

Secretary

F. J. FitzPatrick LL.B., F.C.I.S., Q.C.

Auditors

Peat, Marwick, Mitchell & Co.,
St. John's, Newfoundland

Legal Advisers

McMaster, Meighen, Minnion,
Patch and Cordeau, *Montreal, Quebec*
Cook, Bartlett, Chalker and Marshall,
St. John's, Newfoundland

Bankers

Bank of Montreal

Directors' report

to the members of Bowaters Newfoundland Limited

The Directors present herewith the Consolidated Statement of Income and Retained Earnings for the year ended December 31st 1968, and the Consolidated Balance Sheet as at that date. Consolidated profits before taxation amounted to \$1,285,340 compared with \$1,835,397 last year. Taxation absorbed \$609,903 and after adjustment to reserve for equalization of future taxation, the net profit was \$712,709 compared with \$1,332,060 in 1967.

Market conditions which commenced a decline in 1967, continued to be adverse throughout 1968. This resulted in decreased sales and reduced operating time at the mill in Corner Brook with consequent lower profits.

There were no dividends declared on common shares during the year. Preference dividends required \$289,775 and after providing for these and liability for vacation pay to December 31st, less income tax thereon of \$532,631, as well as transfers to capital reserve, there remains a balance of \$8,402,494 on retained earnings account.

Your Directors wish to take this opportunity of expressing their appreciation of the united and loyal efforts of the Company's employees during a very difficult year.

Corner Brook, Newfoundland, Canada

March 6th, 1969

By order of the Board
F. J. FitzPatrick
Secretary

Consolidated statement of income and retained earnings

for the year ended December 31st 1968

	1968 CAN. \$	1967 CAN. \$
Sales	53,810,335	55,038,469
Profits on trading and other revenue	5,552,064	6,577,500
Depreciation and depletion	3,523,918	3,494,311
Special depreciation reserve being excess of allowances claimed for taxation over normal depreciation (note 2)	80,000	713,000
	3,603,918	4,207,311
	1,948,146	2,370,189
Interest on funded debt	662,806	534,792
	1,285,340	1,835,397
Taxation:		
In respect of the current year	609,903	855,337
Adjustment to reserve for equalization of future taxation (note 2):		
Current year	(37,272)	(356,500)
Prior years	—	4,500
	572,631	503,337
Income for the year	712,709	1,332,060
Retained earnings at beginning of year	8,532,592	8,092,244
	9,245,301	9,424,304
Net proceeds of sales of capital assets and other items, transferred to capital reserve	88,413	564,583
Liability for vacation pay to December 31st, 1968, less income tax thereon of \$532,631 (note 3)	464,619	—
	8,692,269	8,859,721
Dividends paid:		
On 4½ per cent Cumulative Preference Stock	289,775	327,129
Retained earnings at end of year	\$8,402,494	\$8,532,592

See notes on and forming part of the accounts (page 4)

Consolidated balance sheet

December 31st 1968

	1968 CAN. \$	1967 CAN. \$
CURRENT ASSETS		
Cash	1,160,086	12,520
Marketable securities at approximate market	49,250	49,250
Notes receivable	535,714	535,714
Amounts due from affiliated companies	17,581,242	13,856,737
Accounts receivable and prepaid expenses	2,828,271	2 272,398
Income tax recoverable	113,559	—
Inventories at the lower of cost or replacement market	10,891,714	12,413,184
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	33,159,836	29,139,803
Deduct: CURRENT LIABILITIES		
Bank loans and overdrafts—secured	—	4 338,669
Notes payable to bankers	500,000	600,000
Sinking fund debentures—current portion	570,000	570,000
Accrued interest on funded debt	78,513	91,345
Accounts payable and accrued charges	5,841,515	3,798,435
Amounts due to affiliated companies	3,192,035	1,005,430
Dividends payable	71,947	73,160
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	10,254,010	10,477,039
NET CURRENT ASSETS	<hr/>	<hr/>
	22,905,826	18,662,764
FIXED ASSETS		
Properties, timberlands, plant and equipment, at cost	92,020,586	91,187,187
Less: Depreciation and amounts written off	52,330,360	52,513,431
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	39,690,226	38,673,756
Deferred operating expenditure	1,553,864	1,686,738
Special refundable tax	—	163,324
Investments, mortgages, and other securities, at cost	5,652,406	6,684 698
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<i>Carried forward</i>	69,802,322	65,871,280

	1966 CAN. \$	1967 CAN. \$
<i>brought forward</i>	69,802,322	65,871,280
<i>Deduct: FUNDED DEBT</i>		
5½ per cent Sinking Fund Debentures due 1978	5,710,000	6,280,000
Less: Amount included in current liabilities	570,000	570,000
	<u>5,140,000</u>	<u>5,710,000</u>
Notes payable to bankers	6,300,000	1,800,000
	<u>11,440,000</u>	<u>7,510,000</u>
	58,362,322	58,361,280
Reserve for special depreciation less deferred charge for tax equalization (<i>note 2</i>)	4,761,728	4,719,000
NET ASSETS ATTRIBUTABLE TO THE INTERESTS OF THE SHAREHOLDERS	\$53,600,594	\$53,642,280
<i>Represented by:</i>		
CAPITAL		
4½ per cent Cumulative Preference Stock		
Authorized £2,500,000; Issued £2,500,000	11,315,000	11,315,000
Common Shares of no par value		
Authorized 10,000,000; Issued 6,400,000	32,000,000	32,000,000
	<u>43,315,000</u>	<u>43,315,000</u>
Capital Reserve	1,883,100	1,794,688
Retained Earnings	8,402,494	8,532,592
	<u>\$53,600,594</u>	<u>\$53,642,280</u>

See notes on and forming part of the accounts (page 4)

On behalf of the Board:

A. E. Balloch
B. R. Pryde

Directors

Notes

on and forming part of the accounts for 1968

- 1 United States dollar and sterling amounts of assets and liabilities are stated on the basis of the exchange rates ruling at the date of the accounts. The Preference Capital is stated at the rates ruling at the dates of issue.
 - 2 (a) As a result of difficulties experienced in the United Kingdom in determining the amount of double tax relief arising from dividends received by the United Kingdom Parent Corporation from its overseas subsidiaries, the Company charges to profit and loss the depreciation in excess of normal which it intends to claim for Canadian income tax purposes. A deferred income tax charge has been recorded and credited to the profit and loss in the amount of the related tax reduction with the result that profits after taxation are not affected and the reserve for special depreciation less the deferred charge for tax equalization equals the amount by which taxation to date has been reduced by claiming allowances for depreciation in excess of the depreciation charged in the accounts.
(b) The increase of \$42,728 in the reserve for special depreciation less the deferred charge for tax equalization is made up of transfers from profit and loss—see (a) above.
 - 3 The amount of \$997,250 relates to vacation pay under labour agreements. In prior years the Company included only the amounts paid in the year.
 - 4 The amount charged to profit and loss in respect of employees' pension plans includes payments on account of past services. These past service pension costs are being funded over a period not exceeding 20 years commencing in 1962. Based on the most recent independent actuarial report, the single sum liability for unfunded pension benefits is estimated at \$1,520,000.
 - 5 At December 31st, 1968, commitments in respect of orders placed on capital account and other expenditures were estimated to amount to approximately \$592,000.
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Auditors' report

to the members of Bowaters Newfoundland Limited

We have examined the consolidated balance sheet of Bowaters Newfoundland Limited and Subsidiary Companies as of December 31st, 1968 and the consolidated statement of income and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies at December 31st, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. John's, Newfoundland, Canada

March 6th, 1969

Peat, Marwick, Mitchell & Co.
Chartered Accountants, Auditors

